

Message Text

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ACTION EB-08

INFO OCT-01 EA-10 IO-13 ISO-00 STRE-00 AGRE-00 CEA-01

CIAE-00 COME-00 DODE-00 FRB-03 H-01 INR-10 INT-05

L-03 LAB-04 NSAE-00 NSC-05 PA-01 CTME-00 AID-05

SS-15 STR-07 ITC-01 TRSE-00 ICA-11 SP-02 SOE-02

OMB-01 DOE-15 EUR-12 /136 W

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FM USMISSION GENEVA

TO SECSTATE WASHDC 0539

INFO AMCONSUL HONG KONG

AMEMBASSY OSLO

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PASS STR ELECTRONICALLY

E.O. 11652: N/A

TAGS: ETRD, GATT, NO, HK

SUBJECT: GATT COUNCIL: TEXTILES - HONG KONG COMPLAINT
AGAINST NORWEGIAN RESTRAINTS

1. HONG KONG DEL (TSAO) OUTLINED BACKGROUND OF HONG KONG'S DISPUTE WITH NORWAY, POINTING OUT THAT ON JANUARY 1, 1978, NORWAY HAD INSTITUTED UNILATERAL SELECTIVE IMPORT RESTRAINTS ON TEXTILES FROM HONG KONG. THESE RESTRAINTS AVERAGE A 40 PERCENT CUTBACK FROM PREVIOUS LEVELS OF IMPORTS ACHIEVED UNDER BILATERAL AGREEMENT. TSAO SAID THAT NORWAY, HAVING "DISCARDED" THE MFA, COULD HAVE HAD RECOURSE TO THE GATT, BUT INSTEAD HAD TAKEN THIS ACTION WITHOUT ANY JUSTIFICATION. HE ASKED THAT THE COUNCIL ESTABLISH A PANEL UNDER ARTICLE XXIII:2 TO INVESTIGATE THE MATTER AND REPORT TO THE CONTRACTING PARTIES.

2. NORWEGIAN DEL (SELMER) REFERRED TO HIS STATEMENT AT
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THE LAST COUNCIL POINTING OUT THE SERIOUSNESS OF THE SITUATION IN NORWAY. HE NOTED THAT IMPORTS OF TEXTILES HAD INCREASED PRECIPITOUSLY DURING THE LAST THREE YEARS AND THAT THESE CAME MAINLY FROM HONG KONG. HE REGRETTED THAT HONG KONG HAD COME TO THE CONCLUSION THAT THERE WAS NO BASIS FOR FURTHER NEGOTIATIONS AND HAD CHOSEN TO BRING THE MATTER TO THE COUNCIL. HE SAID THAT THIS CREATES A

NEW SITUATION IN WHICH NORWAY WILL HAVE TO BASE THEIR ACTION ON ARTICLE XIX OF THE GENERAL AGREEMENT.

3. U.S. DEL INTERVENED TO SAY THAT PART OF THE PROBLEM HAD BEEN CAUSED BY NORWAY'S USE OF IMPORT RESTRAINTS WITHOUT ANY REFERENCE TO THE GENERAL AGREEMENT. HOWEVER, NORWAY HAD NOW INDICATED IT WOULD BASE ITS ACTION ON ARTICLE XIX. IF SERIOUS INJURY EXISTS FOR THE NORWEGIAN PRODUCERS OF TEXTILES WITHIN THE MEANING OF ARTICLE XIX, WE SAID THAT IT WOULD APPEAR THAT THE APPLICATION OF RESTRAINTS UNDER ARTICLE XIX ON A GLOBAL BASIS WOULD BE AN APPROPRIATE COURSE OF ACTION. IF THIS WAS NOT THE CASE, HOWEVER, WE SAID THAT THE COUNCIL SHOULD ESTABLISH THE PANEL AS REQUESTED BY HONG KONG. SELMER REPLIED THAT HE WAS WILLING TO RECOMMEND TO HIS AUTHORITIES THAT THESE RESTRAINTS BE PLACED ON A GLOBAL BASIS UNDER ARTICLE XIX. HE NOTED THAT THIS WAS WITHOUT PREJUDICE TO THE NORDIC POSITION IN THE MTN ON SELECTIVE APPLICATION OF SAFE-GUARDS. TSAO SAID THAT IF NORWAY WAS TO TAKE THIS ACTION, THE LEGAL BASIS OF THE COMPLAINT BEFORE THE COUNCIL COULD BE CHANGED. HE BELIEVED, HOWEVER, THAT THERE COULD STILL BE A SITUATION IN WHICH THERE WAS A NEED FOR THE PANEL.

4. THE COUNCIL CHAIRMAN THEN URGED THAT THE TWO PARTIES CONTINUE BILATERAL NEGOTIATIONS; THAT IF THESE DID NOT LIMITED OFFICIAL USE

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LEAD TO A SATISFACTORY SOLUTION, THE PROPER PROCEDURE WOULD BE THE ESTABLISHMENT OF A PANEL WITH THE FOLLOWING TERMS OF REFERENCE: "TO EXAMINE, IN LIGHT OF THE RELEVANT PROVISIONS OF THE GENERAL AGREEMENT, THE MATTER REFERRED TO THE CONTRACTING PARTIES BY UK ACTING ON BEHALF OF HONG KONG RELATING TO IMPORTS OF NORWAY OF CERTAIN TEXTILE PRODUCTS FROM HONG KONG AND TO MAKE SUCH FINDINGS AS WILL ASSIST CPS IN MAKING RECOMMENDATIONS." THE CHAIRMAN GAVE HONG KONG AND NORWAY UNTIL JUNE 30 TO WORK OUT A MUTUALLY AGREEABLE SOLUTION. NO OTHER DELEGATION SPOKE.

5. COMMENT: THE ABOVE SCENARIO WAS WORKED OUT PRIOR TO THE COUNCIL MEETING AT THE REQUEST OF NORWAY WHICH DID NOT WANT THE PANEL SET UP AT THIS MEETING OF THE COUNCIL AS RESUMPTION OF BILATERAL NEGOTIATIONS BETWEEN THE TWO DISPUTANTS HAVE BEEN TENTATIVELY SCHEDULED FOR JUNE 26. NORWEGIAN DEL HAD INDICATED INFORMALLY TO U.S. REPS THAT HE WOULD SAY THAT NORWAY "WOULD PUT RESTRAINTS ON A GLOBAL BASIS UNDER ARTICLE XIX 'RATHER THAN MERELY' RECOMMEND IT" TO HIS GOVERNMENT AS HE STATED IN COUNCIL. WE SUSPECT, BUT HAVE NOT CONFIRMED, THAT HIS

LAST-MINUTE CHANGE IN COUNCIL WAS PRICE HE HAD TO PAY TO
KEEP EC (LUYTEN) FROM JUMPING INTO FRAY ON QUESTION OF
SELECTIVITY. END COMMENT. VANDEN HEUVEL

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